

# AMERICAN GOALS IN THE TRADING SYSTEM

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House Ways and Means Subcommittee on Trade  
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Mr. Chairman, Congressman Levin, Members of the Subcommittee:

Thank you very much for inviting me to testify today on the U.S. agenda at the World Trade Organization.

This November 30<sup>th</sup>, the United States will host the World Trade Organization's Ministerial Conference in Seattle. The Ministerial will be the largest trade event ever held in the United States, bringing heads of government, trade ministers, business leaders and non-governmental associations from around the world and focusing public attention as never before on the role trade plays in American prosperity. Ambassador Barshefsky will have the honor of chairing this meeting.

At the Ministerial, we also expect to launch a new Round of international trade negotiations, which President Clinton called for in his State of the Union Address. This has the potential to create significant new opportunities for American workers, businesses, and farm and ranch families. We also seek to improve the WTO itself, to make the organization more transparent, responsive, and accessible to citizens. And we can ensure that its work supports and complements efforts to protect the environment, improve the lives of workers, reduce hunger and improve health.

We are now building the necessary consensus internationally for an agenda with broad support in the U.S. and worldwide. And with the Ministerial just four months away, the Trade Subcommittee has chosen an ideal time to review the United States' stake in the trading system and our goals for its future. As we prepare for the Ministerial and the Round, we look forward to continuing to work closely with the Subcommittee and with other Members of Congress to develop the strategy and objectives that will yield the best results for our country and for the world. Today I would like to review for you our stake in the world trading system; the consultations we have undertaken in preparation for the Ministerial; and the results we hope to achieve at Seattle and in the Round.

## U.S. STAKE IN THE TRADING SYSTEM

The United States is now the world's largest exporter and importer, carrying on over \$2 trillion worth of goods and services trade each year. The jobs of millions of American workers,

the incomes of farm families, and the prospects for many of America's businesses depend on open and stable markets worldwide.

This is the foundation of the leading role we have taken in the development of the trading system for over fifty years, since the creation of the General Agreement on Tariffs and Trade in 1948. Throughout these decades, Republican and Democratic Administrations, working in partnership with Congress, have concluded eight negotiating Rounds. Each successive Round, culminating in the Uruguay Round which created the WTO, has opened markets for Americans, and helped to advance basic principles of rule of law, transparency and fair play in the world economy.

Since the Uruguay Round's conclusion in 1994, Americans have taken full advantage of these benefits.

- With the opening of world markets, American exports have risen by well over \$200 billion, contributing to the rapid economic growth we have enjoyed, and the continuation of the longest peacetime expansion in America's history. This has also helped us to gain high-skill, high-wage jobs, reverse a 20-year period of decline in wages, and in fact increase wages by 6% in real terms.
- The strong dispute settlement system created by the Uruguay Round has allowed us to improve significantly our enforcement of the trading rules. Since the creation of the WTO, we have filed more cases than any other member, and have a very strong record of favorable settling or prevailing in the cases we have filed.
- And the trading system has been vital to our ability to address the financial crisis. The commitments WTO members have made have helped to ensure that, with 40% of the world in recession, and six major economies contracting by 6% or more, we at least so far have seen no broad reversion to protectionism. This is a tribute to the strength of the trading system we have helped to build. It has prevented enormous economic damage to our national economy, our farmers and our working people; ensured that affected countries have the markets essential to recovery; and helped avert the political tensions that can arise when economic crisis leads to trade conflicts.

## THE WORK AHEAD

Despite these achievements, however, much work remains ahead. The trading system can be made more effective in removing trade barriers, more transparent and accessible in its own workings, and broadened to include nations now outside. With the Ministerial and Round, we will address issues such as the following:

- World trade barriers remain high in many areas, including in several crucially important sectors in which U.S. producers are the world leaders. Agriculture and services are

crucially important examples; in industrial goods, we often face significant trade barriers, subsidies and other practices overseas which a new Round can address.

- Our leadership in the scientific and technological revolution creates new challenges and opportunities for the trading system to address. Electronic commerce and the growth of the Internet as a medium for trade is an especially important example.
- Membership in the WTO can make a major contribution to reform in the transition economies – that is, the nations in Europe and Asia moving away from communist systems. As successful reformers and WTO members such as Poland, the Czech Republic and Hungary have observed, WTO membership on commercially meaningful grounds helps to integrate transition economies into world trade and make the reforms necessary to create market-based economies, thus promoting long-term growth and liberalization.
- The results of future WTO agreements can contribute to the world's efforts to reduce hunger, protect the environment, improve the lives of workers, promote health and nutrition, support financial stability, fight bribery and corruption, and promote transparency and good governance worldwide.

The balance of my testimony today will review our WTO agenda in four areas: ensuring implementation of the Members' present commitments; developing the agenda for a successful Ministerial and a new Round; encouraging the accession, on commercially meaningful grounds, of new members; and the specific steps that can advance the broader vision and yield immediate results for the U.S. and world economies.

## I. COMPLIANCE WITH AGREEMENTS

First of all, we are working to ensure full compliance with existing agreements. We have met our commitments on time and in full, and we expect our trading partners to do the same.

No matter what the new agenda will be, a fundamental component of our trade policy will remain the effective implementation of existing agreements. We have made this point clear to our partners in Geneva, and in this regard, 1999 is an especially important year. By January 1, 2000, WTO Members must meet Uruguay Round commitments under the Agreements on Intellectual Property, TRIMs, Subsidies, and Customs Valuation. In succeeding years, final liberalization commitments under the Agreement on Clothing and Textiles as well as certain aspects of the TRIPS and Subsidies Agreement will phase in. Likewise, Uruguay Round tariff commitments will soon be realized in full.

These commitments represent the balance of concessions which allowed completion of the Uruguay Round and have helped realize its benefits since then. The credibility of any future negotiations depends on their implementation. To ensure implementation, we use all methods available. This includes use of dispute settlement and U.S. trade laws when necessary, but also a

commitment to the technical assistance programs that allow some of the developing countries to gain the capacity to meet complex demands in areas such as services, agriculture and intellectual property. In our recent submissions to the WTO General Council, therefore, we have proposed methods to address legitimate problems with compliance now and in the context of new negotiations, and ways to make technical assistance programs more effective in promoting full integration into the world economy.

We also are encouraging those WTO Members which have not ratified the Basic Telecommunications and Financial Services Agreements to do so as soon as possible. This will not only open markets to U.S. Providers, but ensure that all Members can benefit from their commitments and that they can win the benefits of competition, transparency and technological progress these Agreements offer.

## II. DEVELOPING AN AGENDA FOR THE NEW ROUND

As we address compliance issues, we are also developing the agenda for the new negotiating Round President Clinton called for in the State of the Union Address, to be launched at the Ministerial in Seattle.

Our work in this regard has its foundation in a series of domestic consultations with a wide range of interested groups and individuals: Congress, business groups, agriculture, labor organizations, academics, environmental groups, state and local government, and others. This has included many individual meetings; Trade Policy Staff Committee hearings in Atlanta, Dallas, Los Angeles, Chicago, as well as Washington DC, to gather ideas on priorities and objectives; and a series of Listening Sessions jointly with the Department of Agriculture on the agricultural agenda, traveling to Indiana, Florida, Minnesota, Tennessee, Texas, California, Washington, Nebraska, Delaware, Vermont, Iowa and Montana to hear directly from farmers, ranchers and others. We have also, of course, met frequently with our trading partners at the WTO in Geneva, and in meetings such as the US-Africa Ministerial, FTAA conferences, the US-EU Summit, the Quad meeting in Tokyo and others to review their priorities, exchange views and develop consensus.

Given our consultations and conversations to date, we believe the agenda should take the following shape:

- The core of the agenda should address market access concerns including agriculture, services and industrial goods, with benchmarks to ensure that the negotiations remain on schedule for completion within three years.
- The agenda should also pay special attention to areas in which trade policy can encourage technological progress, notably in electronic commerce.
- This agenda should support and complement efforts to improve worldwide environmental protection, and ensure that trade policy yields the maximum benefit for the broadest range

of workers.

- This negotiating agenda should be complemented and balanced by a work-program to address areas in which consensus does not yet exist for negotiations; and by a series of measures to reform the WTO, with a special focus on transparency and citizen access.

We can decide on the precise structure for negotiations once consensus on the agenda is achieved. It is clear, however, that the agenda and final result must unquestionably be broad enough to create a political consensus by addressing the market access priorities of all Members. At the same time, we should ensure that it is manageable enough to complete within three years and avoid raising major compliance problems afterwards.

Specifically, our ideas would include the following:

### 1. Market Access

Market access negotiations, as the core of the negotiations, should cover the built-in agenda of agriculture and services, and also address non-agricultural goods.

In agriculture, in liberalizing trade we have the potential to create broader opportunities for American farm and ranch families, fight hunger and promote nutrition worldwide through ensuring the broadest possible supplies of food at market prices, and help to protect the land and water by guaranteeing the right to use modern science and reduce trade-distorting measures which increase pressure on land, water and habitat. To secure this opportunity, we would set the following objectives:

- Completely eliminate, and prohibit for the future, all remaining export subsidies as defined in the Agreement on Agriculture.
- Substantially reduce trade-distorting supports and strengthen rules that ensure all production-related support is subject to discipline, while preserving criteria-based “green box” policies that support agriculture while minimizing distortion to trade;
- Lower tariff rates and bind them, including but not limited to zero/zero initiatives;
- Improve administration of tariff-rate-quotas;
- Strengthen disciplines on the operation of state trading enterprises;
- Improve market access through a variety of means to the benefit of least-developed Members by all other WTO Members; and
- Address disciplines to ensure trade in agricultural biotechnology products is based on transparent, predictable and timely processes.

In services, American industries are the most competitive in the world, as demonstrated by our \$258 billion in services exports last year. The Uruguay Round has created an important set of rules, but in many cases, actual sector-by-sector market-opening commitments simply preserved the status quo. Effective market access and removal of restrictions will allow U.S. providers to

export more efficiently, and help address many broader issues worldwide. Examples include improving the efficiency of infrastructure sectors including communications, power, transport and distribution; improving environmental protection services; easing commerce in goods, thus creating new opportunities for manufacturers and agricultural producers; and helping to foster financial stability through competition and transparency in financial sectors. To realize these opportunities, objectives would include:

- Liberalize restrictions in a broad range of services sectors;
- Ensure that GATS rules anticipate the development of new technologies;
- Prevent discrimination against particular modes of delivering services, such as electronic commerce or rights of establishment; and
- Develop disciplines to ensure transparency and good governance in regulations of services.

In industrial goods, further market-opening will help Americans promote high-wage, high-skill jobs and create economies of scale that allow U.S. firms to invest more in research and development and become more competitive. Here, broad market access negotiations in the next Round would build upon the Accelerated Tariff Liberalization initiative, which calls for the early liberalization of eight specific sectors and which we hope to complete by the time of the Ministerial, through objectives including:

- Reduce existing tariff disparities;
- Provide recognition to Members for bound tariff reductions made as part of recent autonomous liberalization measures, and for WTO measures.
- Use of applied rates as the basis for negotiation, and incorporation of procedures to address non-tariff and other measures affecting market access; and
- Improve market access for least developed WTO Members by all other Members, through a variety of means.

## 2. Additional Issues

Most delegations agree that negotiations should be completed within three years. Given this reality, and in order to find an appropriate balance of interests and a convergence of views, certain issues might be appropriate for a forward work-program that would help Members, including ourselves, more fully understand the implications of newer topics and build consensus for the future. In addition, several broader issues will inform our work on the core market access issues. Issues to address would include:

### a. Electronic Commerce

For example, one of the most exciting commercial developments of recent years has been the adaptation of new information and communications technologies, notably the Internet, to trade. This has very important implications for reducing the cost of goods to consumers,

improving the efficiency of companies, and for speeding growth in developing regions, as Internet access greatly reduces the obstacles entrepreneurs, artisans and small businesses face in finding customers and managing paperwork.

It is critical that the WTO act now to ensure that artificial barriers do not delay or block the benefits of this new method of conducting trade. We have therefore promoted a broad electronic commerce agenda at the WTO and elsewhere, including a work-program to ensure technological neutrality in the development of WTO rules, and capacity-building efforts to ensure that developing countries have access to the Internet. We are encouraged that most WTO members agree that all e-commerce activities are covered by the traditional WTO disciplines of transparency, non-discrimination and no unnecessary obstacles to trade. As I will note later, our top immediate priority is to ensure that cyber-space remains duty-free – that is, that countries do not apply tariffs to electronic transmissions.

#### b. Sustainable Development and Committee on Trade and Environment

In all these areas, we intend to take special care to ensure that trade liberalization promotes and supports sustainable development. In particular, we will pursue trade liberalization in a manner that is fully consistent with and supportive of this Administration's strong commitment to protection of the environment. This means a number of things.

First, it means that we must consider the environmental implications of the negotiations from start to finish. In this connection, President Clinton has committed to an environmental review of the likely consequences of the Round and we have called on other countries to do likewise. In the same vein, we have proposed using the WTO's Trade and Environment Committee to discuss the environmental implications of negotiations as they proceed.

Second, it underscores the importance of institutional reforms to ensure that the public can see the WTO and its processes, notably dispute settlement, in action and contribute to its work. Stakeholders have an important role to play in helping to assess the environmental implications of the new round.

Third, it means pursuing trade liberalization in a way that is supportive of high environmental standards. This means, among other things, that the WTO must continue to recognize the right of Members to take science based measures to achieve those levels of health, safety and environmental protection that they deem appropriate -- even when such levels of protection are higher than those provided by international standards.

Fourth, it means that we have a responsibility for identifying and pursuing "win-win" opportunities where opening markets and reducing or eliminating subsidies hold promise for yielding direct environmental benefits. Examples we have identified thus far include elimination of tariffs on environmental goods through the Accelerated Tariff Liberalization initiative; liberalization of trade in environmental services; elimination of fishery subsidies that contribute to

overcapacity; and continued liberalization in the agriculture sector.

Fifth, it means that we will promote strengthened cooperation between the WTO and other international organizations dealing with environmental matters. In this connection, we are pleased that discussions are going on right now between the WTO and the United Nations Environment Program on increasing cooperation.

We have tabled a number of proposals to advance these objectives. Also, we are carefully examining the proposals put forward by other countries on trade and environment. In addition, as we look at other proposals from other countries that are not trade and environment proposals *per se*, we will be considering how they relate to the environment. In all of this work, we welcome the input of this Committee and all stakeholders.

### c. Trade and Labor

Likewise, the relationship between trade and labor is an especially important priority. As President Clinton said to the ILO Conference in June:

“We must put a human face on the global economy, giving working people everywhere a stake in its success, equipping them all to reap its rewards, providing for their families the basic conditions of a just society.”

Trade policy has a role to play in the realization of this vision, and development of the trading system must come together with efforts to ensure respect for core labor standards, and our goal is to ensure that the WTO brings the broadest benefits for the largest possible number of working people in all nations.

In the Declaration issued at the WTO's First Ministerial Conference in Singapore, WTO members renewed their commitment to the observance of core labor standards. This was the first time such a group of Trade Ministers had formally addressed labor standards. While this was an important first step, we believe that more attention to the intersection of trade and core labor standards is warranted as governments and industries wrestle with the complex issues of globalization and adjustment, and that the WTO has a role to play in the process. We are continuing to consult with Congress and the labor community in the U.S., as well as with WTO members who share our interest, on contributions the WTO can make to the goal.

In January, we submitted a proposal for the establishment of a work-program in the WTO to address trade issues relating to labor standards, and areas in which Members of the WTO would benefit from further information and analysis on this relationship and developments in the ILO. In addition, we will seek enhance institutional links between the ILO and the WTO through mutual observer status, to help facilitate collaboration on issues of concern to both organizations. We will consult with the Subcommittee on these matters in the months ahead.



Work at the WTO on these issues is, of course, part of a broader effort centered on the International Labor Organization, which with the President's leadership recently concluded a landmark Convention on the Elimination of the Worst Forms of Child Labor. This builds on a June 1998 Declaration on Fundamental Principles and Rights covering core labor standards as well as a follow-up mechanism. In support of this work, the President announced in his 1999 State of the Union address a Core Labor Standards and Social Safety Net Initiative, including a budget request for \$25 million for multilateral assistance to be provided through the ILO, to help countries provide basic labor protections and improve working conditions. We also, of course, make use of the labor policy tools in our trade statutes, notably the labor conditionality under the Generalized System of Preferences, to promote respect for core labor standards.

### 3. Institutional Reform

The past five years of experience with the WTO have also revealed areas in which the institution can be further strengthened. We thus seek to ensure that the WTO more fully reflects the basic values of transparency, accessibility and responsiveness to citizens; ensure that its work and that of international organizations in related fields are mutually supportive and promotes as much as possible the larger vision of a more prosperous, sustainable and just world economy; and strengthen public support for the WTO. Our proposals here include:

Institutional Reforms that can strengthen transparency, and build public support for the WTO by:

- Improving means for stakeholder contacts with delegations and the WTO; and
- Enhancing transparency in procedures to the maximum extent possible.

Capacity-building, to ensure that the WTO's less advanced members can implement commitments, use dispute settlement effectively and take maximum advantage of market access opportunities. This plan is based on our close consultation with our partners in Geneva to ensure that technical assistance and capacity-building programs meet their actual needs and practical experience. This is to our advantage, as it will help these countries grow and become better markets for U.S. goods and services. Specific areas here would include:

- Improve cooperation, coordination and effectiveness among international organizations in identifying and delivering technical assistance;
- Build upon and expand the "Integrated Framework" concept adopted to help least developed countries implement commitments;
- Ensure the most effective use of resources on technical assistance programs;
- Strengthen capacity-building in regulatory and other infrastructure needs; and
- Explore a development partner program for the least-developed nations.

Trade Facilitation, which will ensure that U.S. small and medium-sized businesses as well as less developed economies can take full advantage of the market-opening commitments created

by the Round. Here, objectives would include:

- Clarifying and strengthening the transparency requirements of WTO Agreements; and
- Helping to improve customs procedures, so as to increase transparency and facilitate more rapid release of goods, ensuring that our exports reach foreign markets more rapidly.

### III. TOWARD THE MINISTERIAL

In the months ahead, we will be working with our trading partners to develop consensus on the negotiating agenda (including issues of timing, and benchmarks to ensure that the negotiations begin and end promptly), preparing logistically for a successful meeting in Seattle, and continue to consult with the Subcommittee and Congress as a whole on specific negotiating objectives in each area. At the same time, we also hope to reach consensus on several initiatives which would both help build the foundation of a successful Round, and take advantage of existing opportunities to open markets and reform the WTO. They would include:

#### 1. Accessions

First, the accession of new WTO Members, on commercially meaningful grounds, is a major endeavor and critical for the creation of a fair, open and prosperous world economy.

Since 1995, seven new Members have joined: Bulgaria, Ecuador, Kyrgyzstan, Latvia, Mongolia, Panama and Slovenia, with Estonia soon to follow. With 31 more accession applicants, we look forward to further accessions on a similar basis in the months ahead. Georgia just completed its working party process and a number of others may soon follow, in advance of the Seattle meeting. Already this year, we have completed bilateral negotiations with Taiwan and made significant progress on the accessions of Albania, Armenia, China, Croatia, Jordan, Lithuania, Moldova and Oman. We have also held important and fruitful meetings with Russia, Saudi Arabia and Ukraine.

Our hope is that a number of these applicants will have completed their accessions by November. Clearly, however, not all of the applicants will complete their accession processes by the Ministerial and the opening of the new Round. In these cases, as was the case in the Uruguay Round, we would work with Congress and our trading partners to develop an acceptable formula under which these economies could be involved in the new negotiations while moving ahead with accession.

#### 2. Dispute Settlement Review

Second, to promote American rights and interests, and to ensure the credibility of the WTO as an institution, a dispute settlement system that helps to ensure compliance with WTO

agreements, provides clarity in areas of dispute, and is open to public observers is of great importance.

Our experience thus far with dispute settlement has been generally positive: we have used the system more than any other WTO member, with many successful results. The European Union's failure to implement panel results in two cases, however, has been very troubling, and we hope to ensure that in the future, losing parties comply or face penalties in a more timely fashion. Likewise, we believe the system can be more responsive to citizen concerns in a number of ways.

Thus, in the ongoing Dispute Settlement Review at the WTO, we are seeking greater transparency and ensuring timely implementation of panel findings. We are particularly interested in providing for earlier circulation of information on panel reports, making parties' submissions to panels public, allowing for submission of amicus briefs and opening the hearings to observers from the public. Our hope is to conclude this work by the Ministerial.

### 3. Electronic Commerce

As I noted earlier, we have begun a long-term work program in the WTO to ensure the unimpeded development of electronic commerce. In the immediate future, our priority is to avoid the imposition of tariffs on electronic commerce. No WTO member now considers electronic transmissions as imports subject to customs duties -- a policy affirmed when we led in securing in last May's "standstill" on e-commerce tariffs. We are working to secure consensus on extending this policy by the Ministerial, which would help us prevent the imposition of an enormous new burden on this new method of trade.

### 4. Accelerated Tariff Liberalization and Information Technology Agreement II

Fourth, we hope to achieve agreements which expand market access opportunities in areas of interest to U.S. producers and to our trading partners by the time of the Ministerial. The two areas of special concentration include:

- Accelerated Tariff Liberalization – Eliminating or harmonizing tariffs in chemicals; energy equipment; environmental goods; fish and fishery products; gems and jewelry; medical equipment and scientific instruments; toys; and forest products; and
- ITA II -- An "Information Technology Agreement II" adding new products (e.g. radar equipment, computer accessories, consumer electronics and printed circuit boards) to the sectors already covered by the first ITA.

### 5. Collaboration with Other International Organizations

Fifth, we are working toward making the WTO more able to collaborate with international

institutions to support economic stability and stability through mutual observer status, joint research programs when appropriate, and other specific initiatives. Such organizations would include the World Bank, the International Monetary Fund, the International Labor Organization, the UN Environmental Program, the UN Development Program, the OECD, UNCTAD, and others.

## 6. Transparency

Sixth, specific measures to improve transparency, both as an institutional matter within the WTO, and in governance worldwide. The two priorities for the months ahead include:

- WTO – The WTO should ensure maximum understanding and access to meetings and procedures, consistent with the government-to-government character of the institution. As I noted earlier, dispute settlement is a special focus for this work. Essential goals include such additional measures as more rapid publication of panel reports, and more rapid de-restriction of documents.
- Transparency in Government Procurement – The WTO can also help to promote transparency and good governance worldwide. In this regard, an agreement on transparency in procurement would create more predictable and competitive bidding, which would reduce opportunities for bribery and corruption, and help ensure more effective allocation of resources.

## 7. Recognizing Stakeholder Interests

Seventh and finally, it is clear that the interest in the WTO and its work of civil society organizations (including businesses, labor organizations, agricultural producers, women's organizations, environmental groups, academic associations and others) is growing. Likewise, delegations and WTO staff will benefit from hearing a broad range of opinions and views on the development of trade policy. We are thus working toward consensus on methods for such stakeholder organizations to observe meetings as appropriate, and share views as delegations develop policy.

## CONCLUSION

In summary, Mr. Chairman, the United States in the months ahead has a remarkable opportunity.

Our predecessors in ten Administrations and twenty-five Congresses have left us a legacy of bipartisan commitment and achievement in creating a fair and open world trading system. As a result of their work, American workers are more productive, American companies more competitive and American families more prosperous than ever before.

In the years ahead, we can do the same for the next generation, if we work together to ensure that the WTO is adapted to address new areas of commerce, persistent trade barriers, and the concerns of our citizens. As host and Chair of the Seattle Ministerial Conference, we have a keen responsibility to help create and bring to completion the agenda that will realize this vision. We look forward to working in partnership with the Members of this Committee to do so.

Thank you very much.